

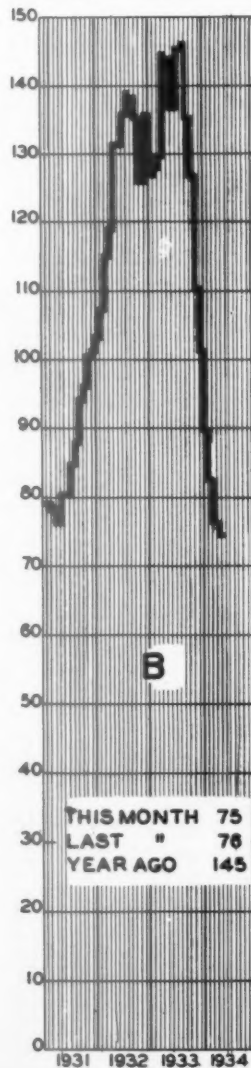
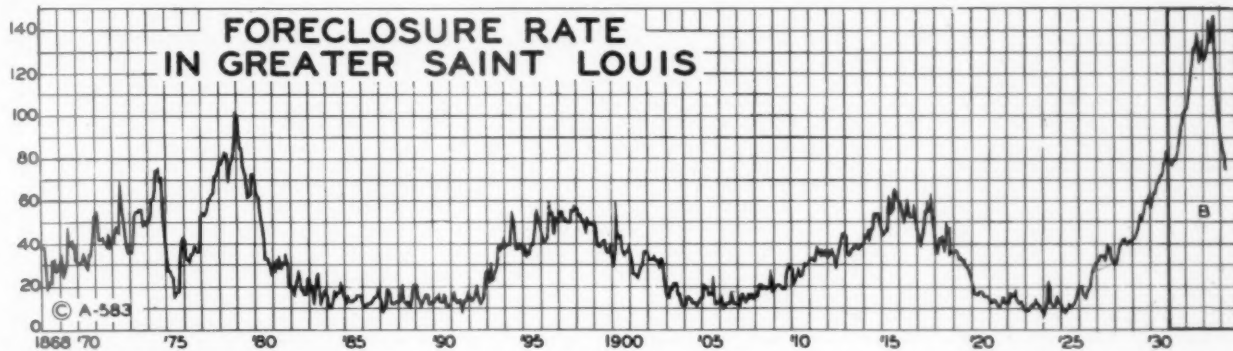


JUNE, 1934

The Real Estate ANALYST

SAINT LOUIS EDITION

MASTER COPY



THE absorption of vacancy continues to hold the center of the stage as the most spectacular of all of the indications of recovery. From May 7 to June 6, twelve hundred additional dwelling quarters were absorbed in Saint Louis, reducing the total vacancy to 13,500. Fifteen months ago this vacancy totalled 30,300. We are convinced that a housing shortage more drastic than the one of the early twenties, with its attendant skyrocketing of rentals and values, is inevitable. If the present rate of absorption continues, housing units will be at a premium by winter and rentals will start their upward climb.

The number of foreclosures per month for each hundred thousand families during the past sixty-six years is shown on the long chart above. The last four years, on a greatly enlarged scale, are shown on the chart to the left. The drop since last September has been more rapid than the drop after any other depression since the Civil War. We believe the honors for this should be evenly divided between the Home Owner's Loan Corporation and general business recovery.

That rentals have at last reached the bottom seems quite evident from the charts on page 280. Both single family residence and apartment rentals advanced slightly this last month.

The marriage rate is still increasing. It is now back to the levels of the spring of 1930. This is still below normal but it is fast approaching the normal line. It will not stop there but will swing above normal, accentuating the demand for homes.

Both real estate sales and our index of general real estate activity fell slightly during the month. In comparison with the tremendous increases during the past year, the recession is very slight. May sales, corrected for seasonal fluctuation, were 76% above July of last year.

Our index of building material prices advanced 3.2% during May. Each increase in replacement cost increases the value of all property now standing.

There is no perceptible change in the volume of residential building. The shaded bar on the chart on page 280 represents the 252 dwelling units of Neighborhood Gardens, a government financed slum housing development.

DEPRECIATION AND OBSOLESCENCE

THE May issue of the Real Estate Analyst contained a study of the average life of residential buildings based on an inspection of more than eleven hundred Saint Louis buildings or former building sites. The report of this study, published last month, was confined entirely to those buildings which were no longer standing. It was not concerned with the present condition of surviving buildings. The study this month is primarily interested in the average apparent depreciation and obsolescence observable on those buildings still in use.

It will be recalled that the basic data for this study were secured in the following manner: twenty addresses were selected at random from the building permits for each year from 1879 to 1933, the longest period for which these records were available in Saint Louis. This resulted in a list of eleven hundred properties, twenty built fifty-five years ago, twenty fifty-four years ago, twenty fifty-three years ago, etc., down to twenty buildings erected last year. Each of these properties was personally inspected and graded on apparent depreciation and obsolescence. If the building for which the permit had been issued was no longer standing, a careful record was made of the present use of the site. The type of construction was noted for all buildings and all were classified as to occupancy.

It must be borne in mind in studying the report of last month and this one that certain fundamental differences exist in the field inspections on which our conclusions are based. The report last month estimating the probable life of a building was based only on the percentage of actual demolitions. There was no judgment necessary in the field work. Either the building in question was still standing or it had been demolished. The inspection of other investigators of these same addresses should yield the same results. On the other hand the estimation of the amount of depreciation and obsolescence on an existing building is a matter of judgment. It is quite conceivable that other investigators inspecting the same buildings or even the same investigators inspecting the same buildings a second time, would get slightly different results. In order to minimize this, more than three fourths of the buildings were inspected by two men and their gradings averaged.

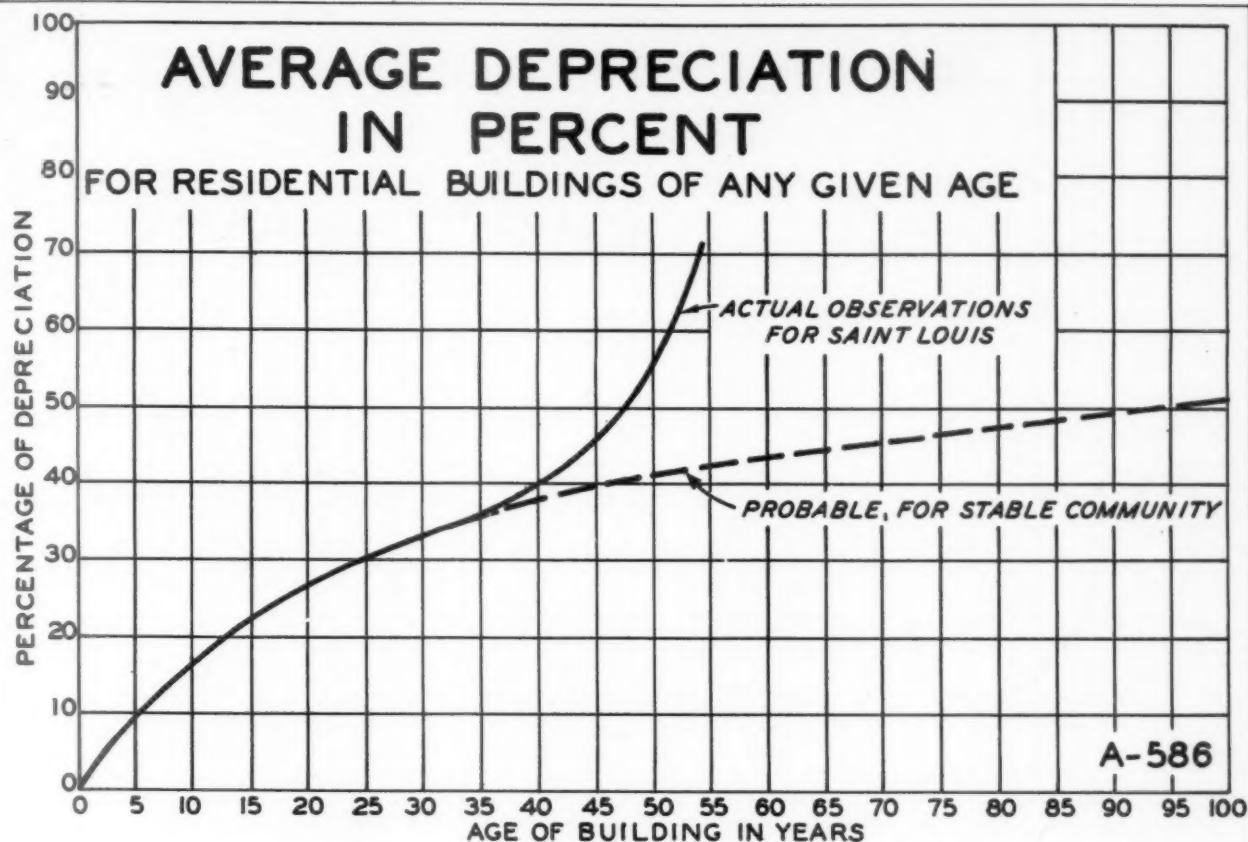
In a strict sense, physical depreciation is complete only when the house has either tumbled down or is in imminent danger of doing so. It is very difficult, however, to estimate for any building its distance to complete cataclysmic destruction. Depreciation, obsolescence and neighborhood are combined in influencing the value of property. Many an untenanted building, considered totally obsolete and depreciated, could be rehabilitated and modernized if it were in a neighborhood which would provide sufficient rentals for an acceptable building in good shape.

We are inclined to think after considerable study of our gradings that we have not succeeded in isolating physical depreciation from obsolescence and neighborhood. However, it is undoubtedly true that, when because of the condition of the property or the neighborhood, its income producing capacities are greatly lessened, deterioration is greatly accelerated by neglect of adequate maintenance.

The chart at the top of the following page shows the final results of our study of depreciation. The solid line shows the percentages obtained by averaging the apparent depreciation of all properties in the same age grouping. To find the average percentage of depreciation from this chart for a building of any given age in the group of eleven hundred studied, find the age at the bottom of the chart and read the percentage from the scale at the left.

The depreciation curve secured in this study is not the shape we expected. We thought that the curve would be somewhat similar in shape to the one shown in the May issue, charting the percentage of buildings still in use at any given age. That curve declined slowly at first, rapidly during the middle period and then very slowly in the later ages. This curve is just the opposite, changing rapidly at first, slowly during the middle period and rapidly at the end. The rapid rate of apparent depreciation during the first twenty years of a building seems quite reasonable after a little thought. Structural defects make their appearance; shrinkage of lumber and settling produce cracks; floors and millwork become marred. However, after the "newness" is worn off of a house, it enters a period where the apparent depreciation changes very little. While there is considerable difference in the apparent depreciation of the average new house and the average one five years old, the difference between an average house twenty years old and one twenty-five years old is hardly perceptible.

The second surprise we received in this study is the rapid increase in the

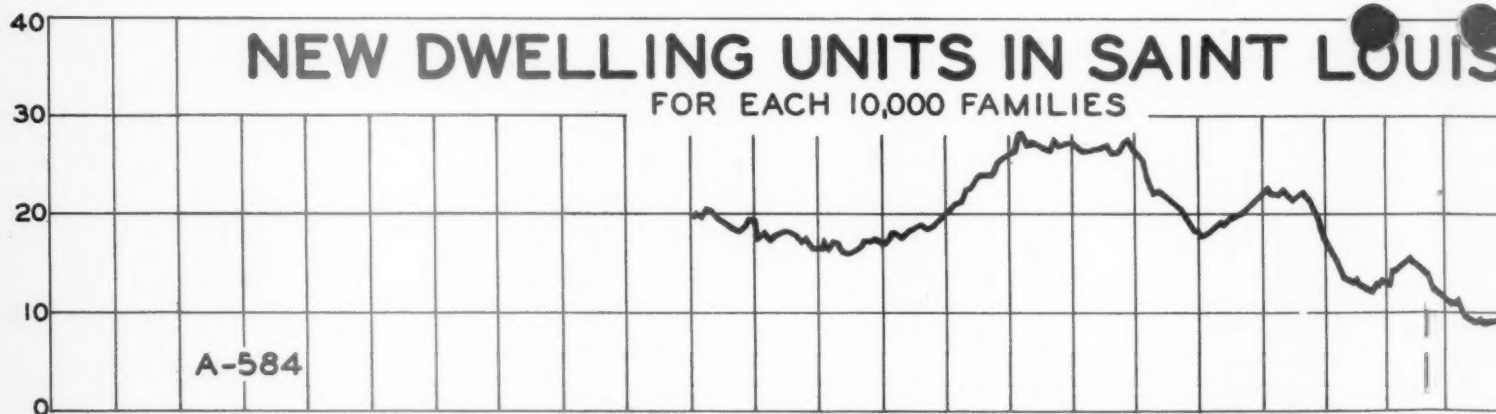
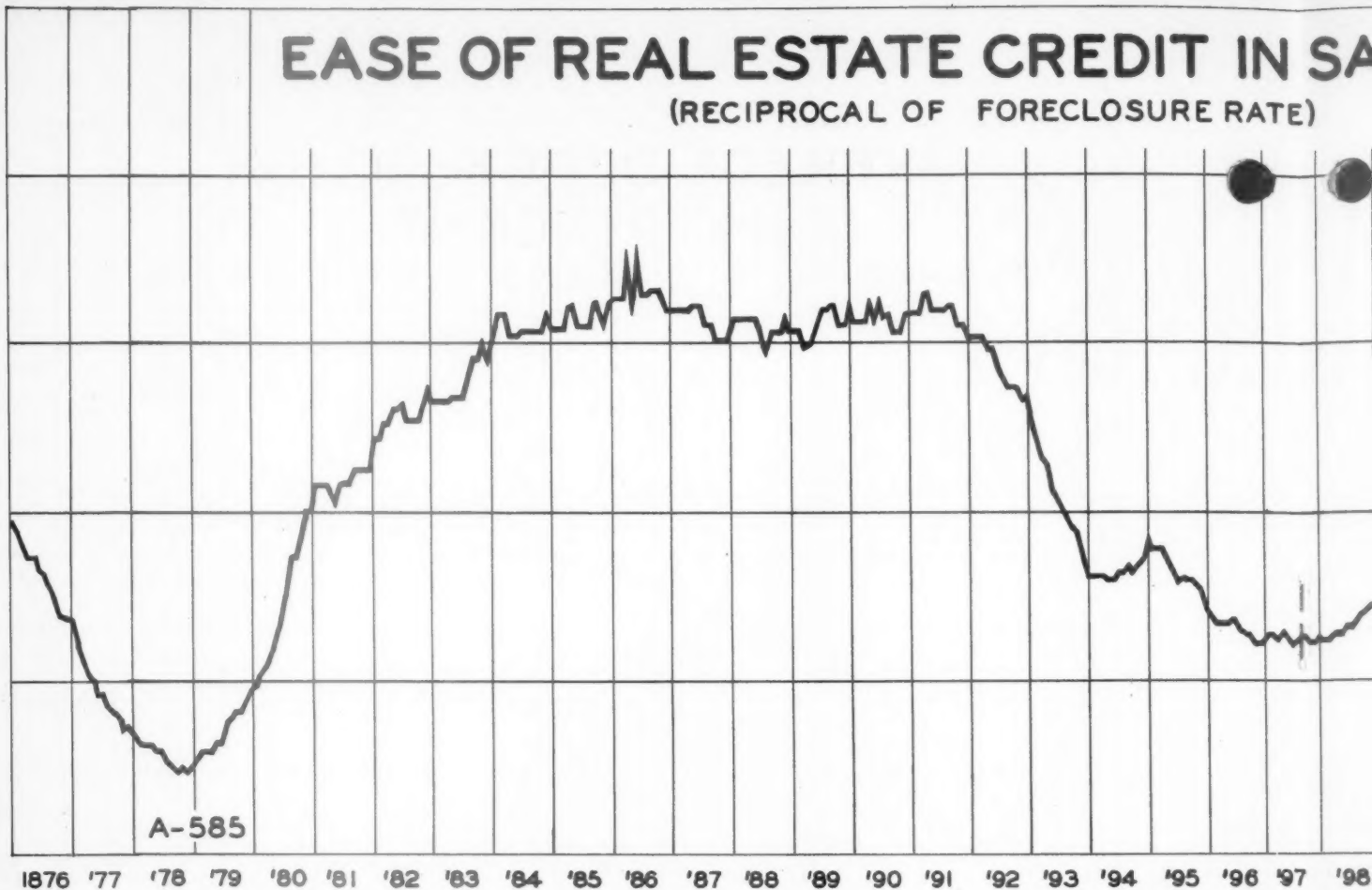


rate of depreciation of older buildings. We believe that this increase is the result of neglect rather than of actual inevitable depreciation. The older buildings in any metropolitan city are in districts which have lost their desirability. They are quite frequently occupied by colored tenants or by foreigners. The economic value of these buildings has fallen to the point where it is no longer profitable to keep them in first class repair. Accordingly, they become dilapidated and the rate of depreciation is greatly accelerated. We have indicated on the chart, by the dashed line, the rate of depreciation we believe probable in a stable community where the older sections of the city were not becoming "blighted areas". This percentage would probably apply to many suburban communities, some of the smaller eastern cities and, with some modification, to buildings in Europe, where a continued occupancy of one hundred years or more is the rule rather than the exception.

This study has convinced us that the greatest threat to the value of a residence is neither depreciation nor obsolescence, but the changing character of the neighborhood. As long as the neighborhood will support buildings which are well maintained, depreciation can be reduced to an almost negligible factor. We have inspected many buildings more than fifty or sixty years old which we believe had a physical depreciation of not over twenty percent. We have inspected other buildings which have not been maintained which seemed seventy percent depreciated at from ten to fifteen years old.

We believe that our separate grading on obsolescence is of little value. A detailed study of these gradings has shown that if obsolescence due to extreme faddishness be omitted, the balance of the grades are roughly proportional to the ages of the buildings. Freakish architecture becomes obsolete far faster than do conservative styles. A well designed colonial dwelling, for example, becomes obsolete only insofar as its sanitary, electrical and mechanical equipment suffer in comparison with newer types. This obsolescence can generally be greatly reduced by replacement costing an amount slight in comparison with the total value of the investment. Our studies of these thousand-odd buildings of all ages has convinced us that fifteen or twenty years from now, the so-called English bungalow type of brick residence with its stone encrusted corners and chimneys, its art glass designs in the front windows and its impossible peaked roofs, will be more obsolete in appearance than the worst atrocities of the "gay nineties". Epidemics of freak architecture seem to break out from time to time and run their devastating course but sooner or later the inherent common sense of the general public swings back from garish decorations to good planning and utility as the essentials for a home.

EASE OF REAL ESTATE CREDIT IN SA (RECIPROCAL OF FORECLOSURE RATE)



CREDIT FOR REAL ESTATE

DURING the past few years of depression many people have blamed the lack of credit for the cessation of building. The easing of long term credit has been considered the panacea for all of the ills of the entire real property field. The Real Estate Analyst does not concur in this view. Credit for new building disappeared when falling rentals, increasing vacancies and rising taxes reduced the net income from real estate to a point insufficient to pay a return on the investment. Credit was withdrawn from real estate when default became the rule on obligations secured by real property. Lack of credit is a result, not a cause, of the difficulties in which real estate finds itself today.

Regardless of government action, long term credit for real estate will again become plentiful when reduced vacancies and higher rentals make real estate a profitable investment. This period is but a short distance ahead.

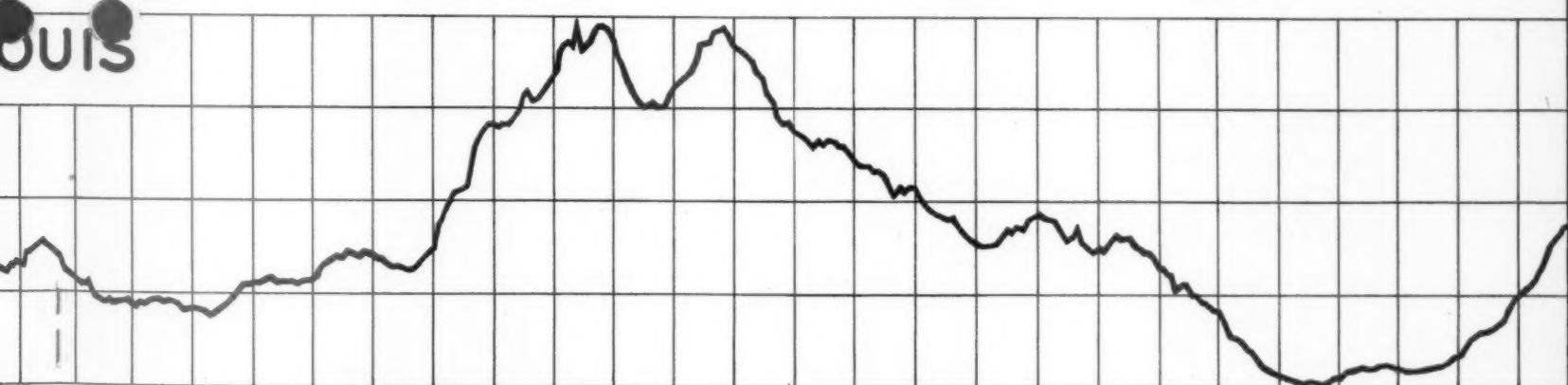
The top chart above shows the ease of real estate credit in Saint Louis from 1876 to the present. It will be noticed that at the end of the great depression of the seventies, it was almost impossible to finance real estate. Financing was difficult during the depression of the nineties and again during the World War.

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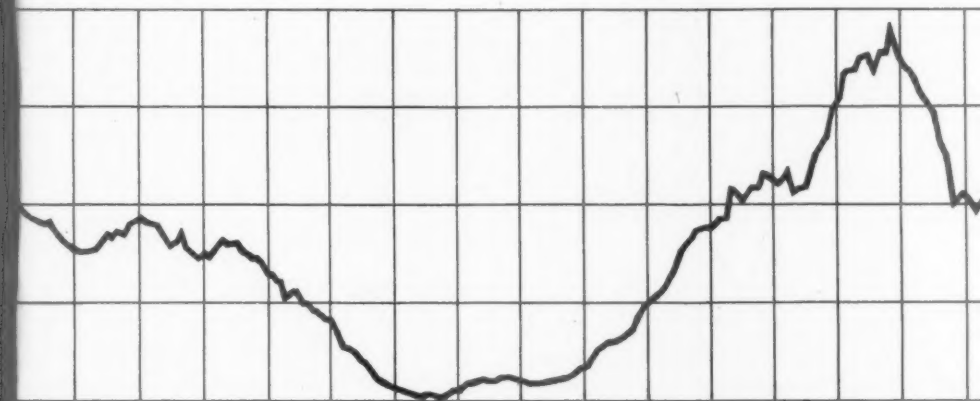


LOUIS



During the present depression it has been more difficult to finance real estate than it has been at any time since the Civil War. This condition is changing rapidly at the present time. If the President's Housing Bill, providing for a federal "Home Credit Insurance Corporation", passes Congress more money will be available than can be used in new construction in the near future. This bill provides for private 80% loans, guaranteed by the government for new construction of homes costing less than \$25,000. We are following this bill very carefully and if it passes, the next issue of the Real Estate Analyst will discuss its various provisions and their probable effect on real estate and new construction. In its present shape it is too indefinite in many of its provisions for us to forecast its effect. We do believe, however, that it will not produce the volume of immediate building which its sponsors expect.

The lower chart shows the number of new residential units constructed per month for each 10,000 families in Saint Louis. This is particularly interesting in connection with the credit line above. It becomes more interesting when it is noticed that credit has always preceded new building by an interval of years, not months. During this interval, credit becomes available for refinancing existing buildings, but not until values have advanced materially on these older buildings does the public's opinion of value reach a level high enough to make new building



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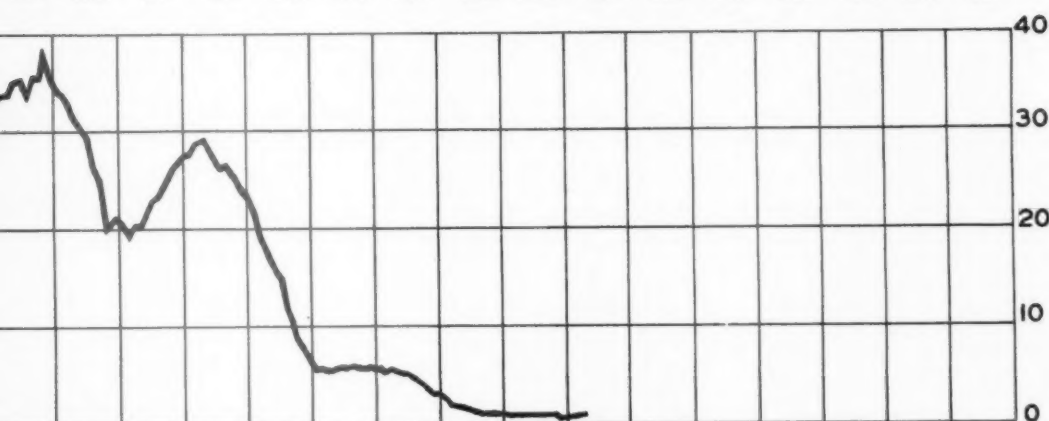
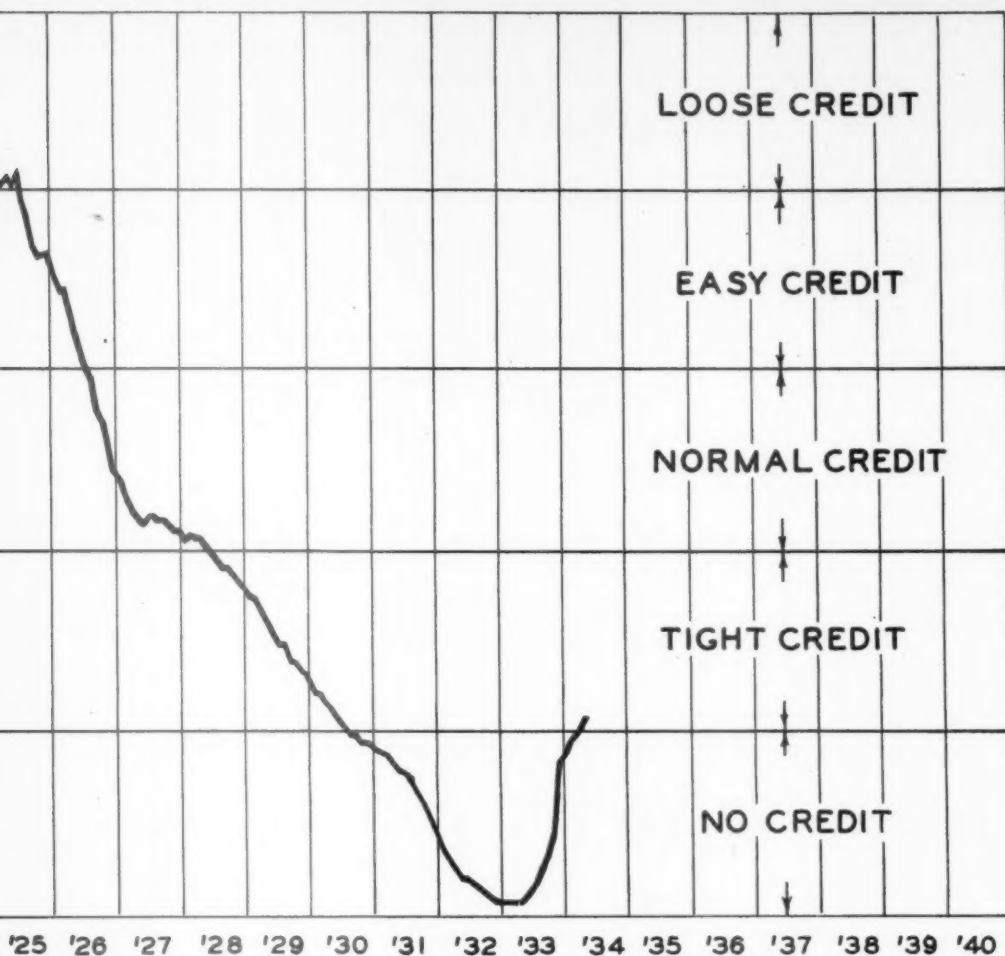
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profitable for the speculative builder who, in the last analysis, builds the great bulk of medium priced homes in America.

Credit started easing in 1899 after the depression of the nineties but no volume of building resulted before 1904. Credit became easier in 1917 than it had been during the preceding period but new building did not start in any volume until 1921 or 1922.

Credit must be present before building can start, but the availability of credit will not start a boom unless construction cost and the general price level of improved real estate are comparable.

The Administration thinks that new residential building can be stimulated at the present time, hence the Housing Bill now before Congress. Hoover thought it could be stimulated in 1931 when he called his Housing Conference. Certain governmental advisors in Washington felt sure that it could be stimulated a year ago. From 1931 to the present we have consistently claimed that any new building in volume was still far in the future. We see no reason at the present time to think that we are now in a position where any great amount of residential building is probable.

CUBIC COSTS

JUNE, 1934

CUBIC costs have advanced materially during the past three months. These advances will continue, as various code requirements for methods of setting skilled wages have not yet come into use. Building materials will also continue to advance.

MODERN BRICK BUNGALOW



Bungalow, as shown and described in pages 122 and 123, exclusive of financing and sales commission.....	27.1¢
With hot air heat subtract.....	1.1¢
Without vitrolite in kitchen subtract.....	0.4¢
With financing charges and sales commission add..	2.0¢

SINGLE FAMILY TWO-STORY RESIDENCE



Single family residence, described on pages 62 and 63, exclusive of financing and sales commission.....	26.8¢
With copper guttering, spouting & flashing, add..	0.4¢
With variegated slate roofing, add.....	1.0¢
With hot water heat, add.....	1.1¢
Without tile walls in bath, subtract.....	0.5¢
Without shower & with cheap plumbing, subtract...	0.3¢
With ordinary millwork, subtract.....	0.6¢
With financing and sales commission, add.....	2.4¢

SPECULATIVE FOUR-FAMILY FLAT



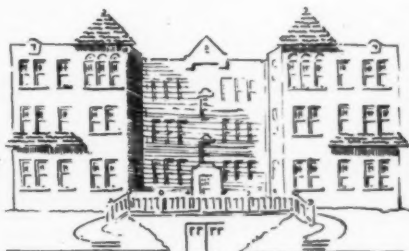
Speculative four-family flat, as shown and described on pages 72 and 73, excluding cost of financing and sales commission.....	23.3¢
With copper guttering, spouting & flashing, add..	0.1¢
With steam heat, add.....	0.7¢
With tile walls in baths, add.....	0.6¢
With showers in baths, add.....	0.5¢
With first class plumbing fixtures, add.....	0.1¢
With financing and sales commission, add.....	1.8¢
With first grade roofing, add.....	0.1¢

EIGHTEEN-FAMILY MASONRY APARTMENT



Eighteen-family masonry apartment, as described on pages 82 and 83, excluding cost of financing and sales commission.....	36.5¢
With electrical refrigeration, add.....	1.2¢
With gas stoves, add.....	0.3¢
With beds, add.....	0.1¢
With iron rear porches & steps, add....	1.2¢
With financing & sales commission, add.	2.6¢

THIRTY-FAMILY REINFORCED CONCRETE APARTMENT



Thirty-family reinforced concrete apartment, as shown and described on pages 92 and 93, excluding cost of financing and sales commission.....	40.5¢
With electrical refrigeration, add.....	1.1¢
With gas stoves, add.....	0.8¢
With iron rear porches & steps, add....	1.3¢
With financing & sales commission, add.	3.0¢

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HOW TO APPROXIMATE THE AGE OF A RESIDENCE

OUR study of eleven hundred residences of known age in Saint Louis has convinced us that an opinion of age based on the general condition of the property may be very misleading. An old building which has been well taken care of may appear a great deal younger than one, half its age, which has been neglected. An opinion of age, however, based on certain architectural or structural features is far more reliable. This article points out certain characteristics which our study has shown were typical of past periods.



The building to the left is one of the most common types built, with rare exception, prior to 1870. These buildings are therefore generally more than sixty-five years old. They were usually built in an L-shape with the porch filling out a portion of the L. The side roof line with the double chimneys is the most typical characteristic of this type and age of residence.



The Mansard roof shown above to the right was quite common during the sixties and seventies. In its earlier form it comprised the entire roof. Later it quite commonly covered only the front half of the building. The wings on the dormers were characteristic. "Mock mansard" fronts are still used on some buildings but they are quite easily distinguished from the earlier types.

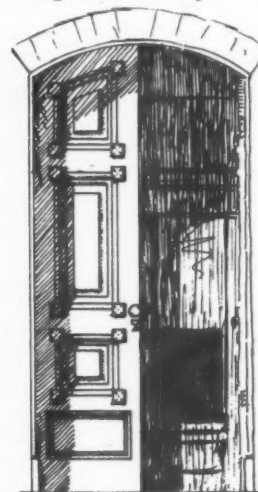


The GRAY STONE FRONT or sometimes the BROWN STONE FRONT shown to the left was very common in the seventies and the early eighties. Very few buildings of this type were built in Saint Louis after 1885.

The storm doors to the right were the type used on the "stone fronts" but they were also used on many other buildings of this same period.

All of the moldings and millwork of this period were far heavier than that used today.

The latest door of this type we found in our study was on a house built in 1888.



The doorway and window to the left were common in the late seventies and the eighties. The rounded top sash, the shutters rounded at the top and the rounded panels in the door were quite characteristic. In the earlier of these buildings the windows came within a very short distance of the floor.

The period of the eighties was also the time when shutters on the doors were quite common.

By 1890 the curved upper sash had almost completely disappeared from the newer buildings.

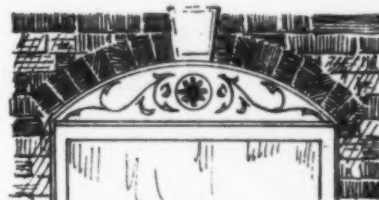


The 1890 period saw the wide use of windows such as the one shown to the left. The mullions were highly ornamented and leaded designs were quite frequently used in the upper sash.

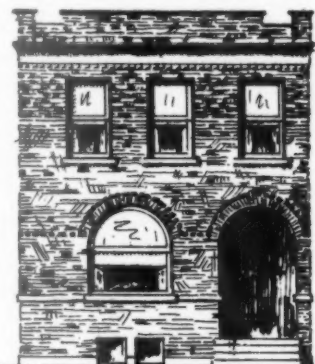
In the eighties and nineties bright red and blue glass borders were used in front doors, these long colored border panes surrounding the central pane of either clear or leaded art glass.

Art glass was also used in transoms over windows in this period.

The decorated lintel to the left was common during the nineties and the early nineteen hundreds.



ties. It was occasionally used earlier but generally the earlier lintels were not so ornate.



The single flat to the left was the prevailing type in the nineties and the early nineteen hundreds. Four family buildings were built on the same plan. The arch entrance with the fancy brick design above the entrance and window was the most common characteristic noted. Few buildings of this type were built after 1905.

From the early nineties through the 1910's pyramidal slate roofs were quite common on the better homes. From the late nineties these buildings frequently had porches roofed with slate, similar to the one shown to the right. The porch roof was supported by turned wooden columns with Corinthian capitals.



Matt brick was shipped into Saint Louis for the first time about 1905. All buildings using matt brick are

